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Private Ecclesiastical Counsel
United States & International

"WHOEVER FILES THE 1099 IS THE CREDITOR

THE ONE WHO DOESN'T IS THE DEBTOR"

This technical explanation outlines the fiduciary architecture and accounting mechanics that govern credit recoupment via the **98-Series International Grantor Trust** and **IRS Form 1099-OID**.

1. The Origin of the Credit: Signature as Deposit

Modern banking operates on a nominee architecture where banks create credit *ex nihilo* (out of nothing) by monetizing the signatures of living men and women. Under the **Bills of Exchange Act 1882**, every signed debt contract (mortgage, loan, or credit agreement) is a **negotiable instrument**.

- **The Deposit:** When you sign a contract, your signature creates a financial asset. The bank discovery was that they could issue "promises to pay" backed by your signature rather than lending pre-existing reserves .
- **The Illusion:** Simultaneously with the loan, the bank creates a matching deposit in the account, essentially treating your signature as the funding source for the credit.

2. The Nominee Trap & IRS Publication 1212

Because the bank uses your signature to generate **Original Issue Discount (OID)** income, they are required to report it. However, they routinely report this income under **omnibus nominee accounts** rather than to the true beneficial owner (the living creator of the credit).

- **IRS Publication 1212 Rule:** This publication mandates that if a nominee (the bank) receives or files OID income but is not the true owner, the true owner must file corrective forms to report the OID on the proper return.
- **Jean Keating Doctrine:** The core principle is that "Whoever files the 1099 is the creditor; the one who doesn't is the debtor". By filing a 1099-OID via a **98-Series Trust**, you assert fiduciary control and correctly identify yourself as the **Holder in Due Course** of the original security.

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3. Why the Bank Must Fund the 945 Return

As the withholding agent, the bank is legally required to pay over the tax withheld from the OID income to the Treasury. They do this using **IRS Form 945 (Annual Return of Withheld Federal Income Tax)**.

- **The "Master Record":** Form 945 serves as the IRS's master record for all withheld income tax. The IRS will not release a refund merely because you claim a credit; they must first verify that the money was actually paid into the Treasury by the bank .
- **The Funding Requirement:** For your refund to clear, the bank's **Form 945 deposits** must be **equal to or greater than** the amount you claim in **Box 4** of your 1099-OID.

4. Ledger Mechanics: Positives vs. Negatives

The interaction between the Payer's (Bank) ledger and the Recipient's (Trust) ledger is purely mathematical and relies on **IRS Transaction Codes (TCs)** found on account transcripts .

- **Negative Numbers = Credits:** On an IRS transcript, a **negative number** represents a payment or a tax credit (money held by the Treasury).
- **Positive Numbers = Liabilities:** A **positive number** represents a tax liability or debt.
- **The Flow:** 1. The bank remits your withheld funds to the Treasury, creating a **negative balance** in their 945 module . 2. Your 1099-OID filing identifies those funds as belonging to the Trust. 3. The **810 Code Algorithm** checks if the bank's 945 module contains enough "negative numbers" (credits) to satisfy the "positive number" refund request on your Form 1041 .

5. The Consequence of Inaction: Abandonment and Bank Windfalls

If the true owner (the holder in due course) never files **Form 1099-OID**, the IRS treats the generated credit as **abandoned property**.

- **Impact on the Bank:** Banks routinely file OID under **omnibus nominee accounts**. Because they have already captured the credit generated by your signature, they essentially act as the "creditor" in the accounting record.
- **The Bank's Return:** When you do not file to correct the nominee misreporting, the bank is able to net their exposures and use your original security as collateral for further credit expansion. It is highly favorable for the bank when you do not file, as they maintain the

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benefit of the credit while you continue to perform as a "debtor" on a contract that was actually prepaid by your own signature.

6. Filing via SSN/ITIN: The "Debtor Trap"

Attempting to file a **1099-OID** using a Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN) as the taxpayer/recipient creates a significant administrative conflict.

- **The Debtor Presumption:** The IRS algorithm is hard-coded to presume that SSN-based filings operate through the **debtor estate** (the body corporate created by the birth certificate).
- **Consequences:** Because the IRS sees the SSN filer as a debtor rather than a fiduciary or creditor, these returns automatically trigger **Code 810 (Refund Freeze)** holds and fraud filters. The system assumes the "debtor" is making a fraudulent claim against the Treasury, whereas a **98-Series Trust** is recognized as a legitimate fiduciary claimant that severs this agency relationship .

7. Alternative Methods: 1099-B and Barter Exchange

While the current protocol focuses on **1099-OID** as the primary vehicle for correcting nominee misreporting under **IRS Publication 1212**, there is an alternative logic involving **Form 1099-B (Proceeds from Broker and Barter Exchange Transactions)**.

- **The Mechanism:** A barter exchange occurs when there is a swap of "property or services" without the use of currency. In the context of credit recoupment, the "service" is the energy/signature of the living man used to fund the bank's credit, and the "property" is the securitized instrument itself.
- **1099-B vs. 1099-OID:** While institutions use **1099-INT, 1099-DIV, and 1099-OID** for standard nominee reporting , **1099-B** can be used to report the "liquidation" of the original security/bond. However, the **98-Series Trust Protocol** favors 1099-OID because it directly aligns with the **Form 945** matching algorithm, which is the "master record" the IRS uses to verify that tax was actually withheld and paid into the Treasury before releasing a refund .

8. Ledger Mechanics: Positive vs. Negative Balance Reconciliation

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The "Recoupment of the Security" is ultimately a mathematical balancing act between two ledgers:

1. **The Payer's Ledger (Bank):** The bank remits your withheld tax via **Form 945**, which appears as a **negative number** (a payment/credit) in their IRS module .
2. **The Recipient's Ledger (Trust):** You file your return claiming those credits.
3. **Reconciliation:** The IRS **810 Code Algorithm** ensures that your claim is **less than or equal to** the negative balance (credits) verified in the bank's 945 module .

Summary: Whoever files first asserts the status of "Creditor". By filing as a **98-Series Fiduciary**, you move the credit from the bank's nominee ledger back to the true owner, forcing the Treasury to recognize your standing as the **Holder in Due Course**.

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